REMARKS OF
HENRY A. WAXMAN,
CHAIRMAN,
SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT
BEFORE
THE NATIONAL COUNCIL OF HEALTH CENTERS
MARCH 19, 1982

I AM PLEASED TO BE ABLE TO JOIN YOU FOR YOUR ANNUAL MEETING. LET ME GIVE MY SPECIAL THANKS TO JACK MACDONALD AND DONNA BARNAKO FOR ARRANGING FOR ME TO BE HERE.

THIS MEETING IS A PARTICULARLY TIMELY ONE. AS I'M SURE YOU KNOW, THE CONGRESS IS JUST BEGINNING TO RECEIVE REPORTS ON THE DIFFICULTIES THAT THE 1982 BUDGET HAS CREATED. LAST YEAR'S BUDGET WAS A DEVASTATING PROCESS WHOSE RESULTS WILL, I'M AFRAID, HAUNT THE POOR AND THE ELDERLY IN THIS COUNTRY FOR A LONG TIME TO COME.

AND THE CONGRESS IS ALSO STARTING ITS WORK ON THE 1983 BUDGET. THIS SECOND ROUND OF CUTTING TO THE BONE MAY BE MORE PAINFUL THAN THE FIRST, WITH AN EQUAL NUMBER OF ILLNESSES AND LIVES AT STAKE.

THIS YEAR, THE REAGAN ADMINISTRATION HAS PROPOSED THAT WE SLASH MEDICAID AGAIN--BY ANOTHER TWO BILLION DOLLARS. THESE CUTS COME ON TOP OF NEARLY ONE BILLION DOLLARS IN CUTS ALREADY SCHEDULED FOR THIS YEAR BY THE MOST RECENT BUDGET BILL. THEY WILL FORCE STATES TO MAKE DRASTIC

CUTS IN HEALTH COVERAGE FOR OUR MOST VULNERABLE POPULATIONS.

AS IF THAT WERE NOT ENOUGH, THE ADMINISTRATION IS ALSO PROPOSING TWO AND ONE HALF BILLION DOLLARS IN FURTHER CUTS IN THE MEDICARE PROGRAM FOR OUR ELDERLY AND DISABLED. THIS PROPOSAL WILL DO NOTHING TO STOP THE EVER-ESCALATING COSTS OF MEDICAL CARE BUT WILL ONLY SHIFT MORE OF THESE COSTS TO THE ALREADY-OVERBURDENED OLDER AMERICANS.

IN THE HOUSE, THE SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT, WHICH I CHAIR, HAS JURISDICTION OVER ALMOST ALL FEDERAL HEALTH MATTERS, RANGING FROM MEDICAID AND MEDICARE, PART B TO THE CENTERS FOR DISEASE CONTROL AND THE FAMILY PLANNING PROGRAM. THE HOUSE WAYS AND MEANS COMMITTEE HAS JURISDICTION OVER MEDICARE PART A BECAUSE OF ITS CONTROL OF THE PAYROLL TAX.

NOT SO LONG AGO, THESE COMMITTEES DETERMINED THE APPROPRIATE POLICIES FOR MEDICARE AND MEDICAID. BUT TODAY, THINGS WORK DIFFERENTLY. THE ALL-INTRUSIVE BUDGET PROCESS HAS CHANGED THE WAYS THAT ALL COMMITTEES WORK.

IN THEORY, THE AUTHORIZING COMMITTEES ARE SUPPOSED TO DEVELOP LEGISLATION WITH A FULL UNDERSTANDING OF ITS SUBSTANCE AND IMPACT. BUT NOW WE HAVE A BUDGET RESOLUTION TO ESTABLISH "POLICY" IN TERMS OF ABSTRACT DOLLAR "SAVINGS" AND THEN LEAVE THE IMPLEMENTATION TO OTHERS--TO THE STATES, TO PROVIDERS, AND TO THE POOR.

IT IS A BAD PROCESS THAT MAKES SHORT-SIGHTED POLICY.

DESPITE THIS PROCESS THAT REQUIRED A BILLION-DOLLAR SLASH IN MEDICAID LAST YEAR, A PROCESS THAT MANY FELT WOULD LEAVE THE CONGRESS NO CHOICE BUT TO CAP THE PROGRAM, I CAN REPORT TO YOU THAT THE MEDICAID PROGRAM HAS EMERGED FROM THIS PROCESS IN BETTER SHAPE THAN WE COULD REALISTICALLY HAVE HOPED FOR. BUT THE DAMAGE HAS BEEN REAL.

THERE IS NO CAP ON MEDICAID. BUT THE STATES WILL BE EXPERIENCING REDUCTIONS IN FEDERAL MATCHING PAYMENTS OF UP TO 3% IN THIS FISCAL YEAR AND 4% IN THE COMING FISCAL YEAR.

THERE HAVE BEEN NO RADICAL CHANGES IN THE ABILITY OF PATIENTS TO CHOOSE THEIR PROVIDERS. BUT, IF THE SECRETARY APPROVES, THE STATES WILL BE ABLE TO LIMIT THE FREEDOM OF CHOICE OF PROVIDERS BY MEDICAID PATIENTS UNDER COST-EFFECTIVE AND EFFICIENT ARRANGEMENTS.

WE HAVE NOT REVERSED THE FEDERAL COMMITMENT TO THE POOR AND THE ELDERLY. BUT WE HAVE ALLOWED THE STATES TO CUT BACK ON <u>THEIR</u> COMMITMENT TO THEM BY LIMITING ELIGIBILITY AND SERVICES TO THEIR MEDICALLY NEEDY.

IN LONG TERM CARE POLICY, THERE IS EVEN SOME SIGNIFICANT PROGRESS MADE IN THE BUDGET BILL. WE HAVE ALLOWED STATES TO REQUEST FROM THE SECRETARY A WAIVER OF EXISTING REQUIREMENTS TO ENABLE THEM TO OFFER HOME AND COMMUNITY-BASED SERVICES AS AN ALTERNATIVE TO PERSONS IN NEED OF NURSING CARE. (SOME OF YOU MAY RECOGNIZE THIS AS A MODIFICATION OF

THE ORIGINAL PEPPER/WAXMAN COMMUNITY CARE ACT.)

I AM EXCITED BY THE POTENTIAL OF THIS PROVISION. WE MUST ACKNOWLEDGE THAT INADVERTENTLY, WE HAVE A SYSTEM WHICH ENCOURAGES INAPPROPRIATE INSTITUTIONALIZATION AND DISCOURAGES EFFORTS BY THE ELDERLY TO REMAIN IN THE COMMUNITY. FOR COST AND POLICY REASONS, IT IS IMPORTANT THAT WE MOVE TOWARD REIMBURSEMENT PROGRAMS WHICH ALLOW THOSE PEOPLE WHO ARE ABLE TO DO SO TO LIVE PRODUCTIVE LIVES OUTSIDE OF INSTITUTIONS. A NUMBER OF STATES HAVE BEGUN TO TAKE ADVANTAGE OF THIS CHANCE TO OFFER RESPONSIBLE ALTERNATIVES TO THEIR POOR AND ELDERLY. A NUMBER OF OTHERS HAVE EXPRESSED INTEREST IN DOING SO.

I DO NOT MEAN TO SAY THAT COMMUNITY CARE IS THE ANSWER TO ALL LONG-TERM CARE PROBLEMS. HOWEVER MUCH WE EXPAND HOME HEALTH, THERE WILL STILL BE A NEED--EVEN A SHORTAGE OF--ADEQUATE NURSING HOME CARE FOR THE DISABLED AND THE ELDERLY.

COMMUNITY CARE CAN ENSURE THAT THE INDEPENDENT ELDERLY CAN LIVE INDEPENDENTLY.

BUT EVEN THE MOST PROGRESSIVE OF HEALTH SYSTEMS MUST DEAL WITH LONG-TERM CARE, AND THE <u>MOST</u> SUCCESSFUL ONES MUST ADDRESS THEMSELVES TO OLDER AND SICKER PATIENTS. IT WOULD BE IMPOSSIBLE FOR MANY PEOPLE TO GO ON LIVING WITHOUT THE TOTAL CARE AND PROTECTION OFFERED IN A NURSING HOME. YOU IN THE NATIONAL COUNCIL OF HEALTH CENTERS ARE WORKING ON WAYS TO ENSURE THAT THE CARE IS HUMANE, EFFICIENT, EFFECTIVE, THAT IT GUARDS PATIENTS' RIGHTS, AND THAT IT DOESN'T ENTAIL

UNREASONABLE COSTS. I WISH YOU THE BEST PROGRESS IN YOUR EFFORTS.

THE WHITE HOUSE HAS BEEN SILENT ON HOW IT HOPES TO DEAL WITH SUCH PROBLEMS. WHEN ASKED ABOUT COSTS AND DIFFICULTY IN HEALTH DELIVERY--WHETHER AS PART OF THE CURRENT SYSTEM OR UNDER THE SO-CALLED "NEW FEDERALISM"--THE ROUTINE ANSWER THIS YEAR HAS BECOME "COMPETITION." I'M SURE THAT MANY OF YOU HAVE HEARD A LOT ABOUT THE "COMPETITION BILLS." THE WORD HAS BECOME A SORT OF "ABRA-CADABRA" INCANTATION TO ALLOW THE ADMINISTRATION TO IGNORE THE FACT THAT HEALTH COSTS ARE GROWING AT A RATE TWICE AS FAST AS THE REST OF THE ECONOMY.

I'M ALSO AFRAID THAT THIS PLAN WILL TURN OUT TO BE PRESIDENT REAGAN'S NEXT TROJAN HORSE. THE MAJOR COMPONENTS OF MOST "COMPETITIVE" HEALTH PROPOSALS INVOLVE LIMITATIONS OF HEALTH INSURANCE TAX DEDUCTIONS AND VOUCHER SYSTEMS. IF SUCH PROGRAMS CAN SAVE MONEY IT WILL BE PRIMARILY THROUGH CUTS IN COVERAGE, BENEFITS, AND ELIGIBILITY. I'M CONCERNED THAT THESE SCHEMES MIGHT BE THE BIGGEST EXERCISE IN COST-SHIFTING THAT WE'VE SEEN YET--ALL DISGUISED AS EFFICIENCY AND COST CONTROL. IF YOU LOOK FOR THE ADMINISTRATION'S REAL PLANS OR PROPOSALS, THERE IS VERY LITTLE TO SEE.

BUT MORE IMPORTANTLY FOR YOU, NONE OF THE ADMINISTRATION'S COMMENTS NOR ANY OF THE COMPETITION BILLS HAS ANYTHING HELPFUL TO SAY ABOUT LONG-TERM CARE. I AM CONCERNED THAT ALL THESE BILLS SEEM TO IGNORE EXACTLY THOSE POPULATIONS THAT THE FEDERAL GOVERNMENT HAS FELT CALLED UPON TO AID IN THE PAST--THE POOR, THE ELDERLY, AND THE DISABLED.

WHILE MANY POLICYMAKERS AND MEMBERS OF CONGRESS TALK AS THOUGH COMPETITION WERE THE ANSWER TO ALL PROBLEMS, THEY FAIL TO ACKNOWLEDGE THAT NO BUSINESSMAN WANTS TO COMPETE TO COVER THESE GROUPS WHO CANNOT INSURE THEMSELVES AND NO FREE-MARKET OR VOLUNTEER SYSTEM CAN ADEQUATELY MEET THEIR NEEDS.

INSTEAD I AM AFRAID THAT IT IS THIS ADMINISTRATION'S UNSPOKEN INTENTION TO MOVE AWAY FROM ANY FEDERAL PARTICIPATION IN DIRECT HEALTH CARE PROGRAMS. WHILE THE PRESIDENT TALKS ABOUT "FEDERALIZING MEDICAID", THE ONLY PROPOSAL IN THE 1983 BUDGET IS A TWO BILLION DOLLAR CUT.

ONE PROPOSAL IS OF PARTICULAR INTEREST TO YOU AS HEALTH CENTERS. THE ADMINISTRATION PROPOSES TO SAVE $600 MILLION IN 1983 BY REDUCING THE FEDERAL MEDICAID MATCHING RATE FOR ALL SO-CALLED "OPTIONAL" SERVICES AND "OPTIONAL" ELIGIBILITY GROUPS BY THREE PERCENTAGE POINTS.

LET'S BE CLEAR ABOUT WHAT THESE "OPTIONAL" SERVICES ARE AND WHO THESE "OPTIONAL" GROUPS ARE. THE "OPTIONAL" SERVICES INCLUDE INTERMEDIATE CARE FACILITIES, ALONG WITH OTHER SERVICES SUCH AS PRESCRIPTION DRUGS. THE "OPTIONAL" ELIGIBILITY GROUPS ARE NOT JUST THE MEDICALLY NEEDY, MANY OF WHOM RECEIVE NURSING HOME CARE THAT YOU PROVIDE, BUT ALSO INCLUDE ALL ELDERLY AND DISABLED PERSONS WHO ARE IN NURSING HOMES AND RECEIVE INCOME IN EXCESS OF $25 A MONTH.

REDUCED MATCHING FOR THESE SPECIFIC GROUPS AND SERVICES--ALONG

WITH THE NUMEROUS OTHER COST SHIFTS PROPOSED BY THE ADMINISTRATION--WOULD DRAMATICALLY INCREASE THE FINANCIAL PRESSURES ON STATES TO INCREASE STATE TAXES DEVOTED TO MEDICAID OR TO CUT BACK ON THEIR CURRENT SERVICES.

I CONGRATULATE YOUR NATIONAL ORGANIZATION FOR ALREADY WRITING TO MEMBERS OF CONGRESS ABOUT THIS ISSUE. I URGE YOU TO CONTINUE YOUR EFFORTS TO OPPOSE THESE UNWISE CUTS.

I HAVE A CLEAR SENSE THAT THIS ADMINISTRATION FEELS NO NATIONAL RESPONSIBILITY TO PROVIDE CARE OR COVERAGE WHERE THE COMPETITIVE MARKET FAILS.

THE ADMINISTRATION BELIEVES INSTEAD THAT SUCH CARE IS NOT A RIGHT OF AMERICANS, BUT MAYBE ONLY OF CALIFORNIANS OR NEW YORKERS OR THOSE WHO ARE FORTUNATE ENOUGH TO BE OLD IN A WEALTHY STATE.

TODAY THAT SHIFT FROM FEDERAL RESPONSIBILITY AFFECTS BLOCK GRANTS FOR HEALTH AND LARGE PARTS OF THE MEDICAID PROGRAM.

THE SO-CALLED "NEW FEDERALISM" IS MUCH THE SAME THING. THE ADMINISTRATION HAS SHOWN NO INTENTION OF TAKING ON THE GREAT EXPENSES OF FEDERALIZING THE MEDICAID PROGRAM AT AN <u>ADEQUATE</u> LEVEL, MAKING MORE PEOPLE ELIGIBLE FOR MORE CARE. BUT IF THE PROGRAM IS TO BE MADE UNIFORMLY RESTRICTIVE, THE PROPOSAL IS NOTHING MORE THAN A COMPLICATED SORT OF CAP, LIMITING FEDERAL DOLLARS AND LEAVING STATES TO BEAR THE COSTS OF GROWTH IN SERVICES, PATIENTS, AND COSTS.

IF A VOUCHER SYSTEM FOR MEDICARE BECOMES A REALISTIC PROPOSAL, THE SHIFT AWAY FROM FEDERAL RESPONSIBILITY WILL BECOME EVEN MORE DRAMATIC.

AND IF STRAIGHTFORWARD CAPS ON MEDICARE AND MEDICAID WERE TO RE-APPEAR--AND THERE IS EVERY INDICATION THAT SOME SENATE REPUBLICANS WILL BE TRYING AGAIN--GOVERNMENTS WOULD HAVE TO CHOOSE AMONG CURRENTLY COVERED SERVICES, TO FIND THE ONES TO CUT. WE CAN IMAGINE THAT OPTIONAL SERVICES, LIKE GLASSES OR DENTAL VISITS, WOULD GO. WE CAN PREDICT THAT NO MEDICALLY NEEDY PERSONS WOULD BE ELIGIBLE. AND WE CAN GUESS THAT THE STATES WILL USE THE BOREN AMENDMENT OF THE 1980 BUDGET BILL TO REDUCE REIMBURSEMENT TO NURSING HOMES AND HOSPITALS.

MAKE NO MISTAKE ABOUT IT. IF THESE NEW PROPOSALS ARE ADOPTED, MILLIONS WILL SUFFER, AND THERE WILL BE NO SAFETY NET TO CATCH THEM. THE MOST VULNERABLE WILL BE REDUCED TO A QUALITY OF LIFE WHICH IS DIFFICULT TO IMAGINE, AND IMPOSSIBLE TO ACCEPT.

I WOULD URGE CAUTION ON <u>YOU</u> ALSO. I UNDERSTAND THAT YOU ARE WORKING WITH THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THEIR "DE-REGULATORY" EFFORTS. I WILL NOT STAND HERE BEFORE YOU NOW AND DEFEND EVERY WORD AND CLAUSE OF CURRENT POLICIES. BUT I WILL STRONGLY DEFEND--BOTH HERE AND IN WASHINGTON--THE REGULATORY OBJECTIVES OF ASSURING THAT THE HEALTH, THE SAFETY, AND THE HUMAN DIGNITY OF NURSING HOME PATIENTS ARE PROTECTED.

WE HAVE NOT YET SEEN THE DEPARTMENT'S PROPOSALS, SO I AM UNABLE TO EVALUATE THEM. IF THERE ARE BETTER WAYS OF STRENGTHENING OUR ABILITY TO MEET THOSE OBJECTIVES, THAT IS FINE. I URGE YOU, HOWEVER, TO PARTICIPATE IN A RESPONSIBLE MANNER THAT ACKNOWLEDGES THE LEGITIMATE PUBLIC HEALTH NEEDS THAT THOSE REGULATIONS MEET, AND THAT RECOGNIZES THE FACT THAT ONE-HALF OF THE REVENUES NURSING HOMES RECEIVE COME FROM PUBLIC FUNDS.

THE SAME PEOPLE WHO ARE PROMISING TO "DE-REGULATE" YOU ARE ALSO PROPOSING TO DRAMATICALLY REDUCE FINANCING AVAILABLE TO YOU.

THE INTERESTS OF THE AGED AND DISABLED INDIVIDUALS WE SERVE UNDER PUBLIC PROGRAMS--AND YOUR OWN INTERESTS AS WELL--LIE IN MAINTAINING STRONG FINANCING PROGRAMS ALONG WITH A STRONG REGULATORY COMPONENT.

THOSE OF US WHO ARE STRUGGLING TO FIND WAYS TO IMPROVE A SYSTEM OF CARE FOR THE ELDERLY, CHRONICALLY ILL AND HANDICAPPED WHILE NOT DESTROYING ITS FOUNDATION NEED YOUR HELP. WE NEED YOUR ASSISTANCE IN CONFRONTING THE REAL CULPRIT IN THE RISING COST OF HEALTH PROGRAMS LIKE MEDICAID: THE UNCONTROLLED RATE OF INFLATION IN THE PRICE OF HEALTH SERVICES. IF WE CANNOT FIND A WAY TO LIMIT REIMBURSEMENT OF ACUTE CARE FACILITIES PROVIDING LONG-TERM CARE, OF PHYSICIANS WHO OVERUTILIZE, OF UNNECESSARY TESTS, AND OF WASTEFUL OR FRAUDULENT COSTS, THEN WE WILL FAIL IN OUR GOAL TO GIVE CARE TO ALL WHO CANNOT PAY THEIR WAY.

LET ME BE CLEAR ABOUT MY OPPOSITION TO THE PROPOSED BUDGET CUTS

IN HEALTH PROGRAMS. I DO NOT OPPOSE FUNDAMENTAL REFORMS IN THE WAY WE FINANCE AND DELIVER HEALTH CARE. HOWEVER, I STRONGLY OPPOSE PRECIPITOUS, LARGE COST-SHIFTS BY THE FEDERAL GOVERNMENT ONTO ANYONE ELSE UNLUCKY ENOUGH TO FIND THEMSELVES IN THE WAY. THE PRESIDENT'S 1983 BUDGET CONTAINS NO PROPOSALS THAT WOULD DEAL EFFECTIVELY WITH THE EXCESSIVE RATE OF INFLATION IN THE HEALTH CARE SECTOR. INSTEAD, IT ASKS US TO SLICE AND DICE OUR PROGRAMS AND IGNORE THE INFLATIONARY SPIRAL IN HOSPITAL AND OTHER HEALTH CARE COSTS.

AS YOU KNOW, I AM FAMILIAR WITH THE DIFFICULTIES IN DESIGNING AND IMPLEMENTING LONG-TERM REFORMS IN THE HEALTH CARE SYSTEM. HAVING ON SEVERAL OCCASIONS ATTEMPTED TO LEGISLATE SUCH REFORMS, AND HAVING ALSO PARTICIPATED IN THE BUDGET RECONCILIATION EXERCISE FOR THE PAST TWO YEARS, I AM SURE ABOUT ONE THING: THE RECONCILIATION PROCESS IS INCOMPATIBLE WITH THE LEGISLATION OF LONG-TERM, FUNDAMENTAL REFORMS. THE PROCESS IS TOO HASTY, TOO CLOSED, AND TOO INSISTENT ON IMMEDIATE, QUANTIFIABLE SAVINGS TO PERMIT THE DEVELOPMENT OF SOUND LONG-TERM CHANGES.

WE TOOK THE SHORT-RUN PATH IN 1980, AND AGAIN IN 1981. WE CANNOT AFFORD TO MAKE THE SAME MISTAKE AGAIN IN 1982. NEITHER THE STATES, THE LOCALITIES, NOR THE PROVIDERS WILL BE ABLE TO ADAPT TO MASSIVE, IMMEDIATE SHORTFALLS IN FEDERAL FUNDS. THEY WILL SIMPLY REACT, BY CUTTING SERVICES AND ELIGIBILITY. THE POOR, THE ELDERLY, AND THE DISABLED WILL SUFFER.

SUCH CALLOUS DEVASTATION SHOULD NOT OCCUR IN AN AFFLUENT NATION.

WE MUST NOT ALLOW THE LIVES OF THE AGED TO DEPEND ON THEIR LOCATION WHEN THEY FALL ILL.

AND WE SHOULD NOT TREAT POOR AMERICANS AS REFUGEES WITHIN THEIR OWN COUNTRY, FORCING THEM TO MOVE FROM STATE TO STATE TO FIND A GOVERNMENT WITH THE TAX BASE AND THE COMPASSION TO HELP THEM WHEN THEY ARE SICK.

YOU ARE THE PEOPLE WITH A PERSONAL AND FINANCIAL STAKE IN THE HEALTH OF OUR SYSTEM OF HEALTH CARE DELIVERY. YOU HAVE PROVEN YOURSELVES EFFECTIVE SPOKESMEN IN LEGISLATION BEFORE. I ASK YOU TO JOIN ME IN THE NEW BATTLES.